

Untitled

Barbara Anne Sousa
Regulatory Counsel
Room 1403
185 Franklin Street
Boston, MA 02110-1585

Phone 617 743-7331
Fax 617 737-0648
barbara.a.sousa@verizon.com

April 4, 2001

Mary L. Cottrell, Secretary
Department of Telecommunications & Energy
Commonwealth of Massachusetts
One South Station, Second Floor
Boston, MA 02110

Re: D.T.E. 00-101 - Sixth Annual Price Cap Compliance Filing

Dear Ms. Cottrell:

Verizon Massachusetts ("Verizon MA") is responding to the brief of the Attorney General ("AG") and the comments of AT&T filed in this proceeding on March 21, 2001.

In its comments, AT&T does not object to Verizon MA's Sixth Annual Price Cap compliance filing. AT&T's only claim is that the Department should require Verizon MA to reconcile its estimated revenue effects for three new services included in the compliance filing (i.e., Sound Deal Package, Sensible Minutes Plan and Local Package). As previously noted, Verizon MA does not object to such a reconciliation and will file actual data for the services once full annual information is available. Verizon MA Initial Brief, at 3.

In his Initial Brief, the AG supports the reconciliation associated with the three new services and adds two other claims: (1) that Verizon MA should be required to identify those services (together with revenue reductions or increases) which are affected by the Department's final ruling on price floors in D.T.E. 94-185; and (2) that Verizon MA failed to explain alleged discrepancies between data contained in the Price Cap Compliance filing, and its Price Floor Compliance filing of August 24, 2000, submitted in D.T.E. 94-185. AG Initial Brief, at 4-5.

With respect to the AG's first claim, Verizon MA provided updated price floors in its Initial Brief for business and residence toll, Baystate Metropolitan and Non-Metropolitan, and Business Link to reflect its Price Floor compliance filing of March 1, 2001, in D.T.E. 94-185. Verizon MA Initial Brief, at 2. That data demonstrates that Verizon MA's proposals for these services satisfy the Department's

Untitled

price floor requirement. Accordingly, the AG's concern has been addressed, and the Department should affirm its approval of Verizon MA's rates for these services.

As to the alleged data discrepancy, the AG's complaint is plainly without merit. In its responses to several AG discovery requests, Verizon MA explained that the data is different because the study periods used for the Price Cap filing and the price floor analyses were different. See VZ-MA Replies to AG 1-4 through 1-8. The AG apparently interpreted "study period" to mean "filing date" because his sole argument is that since the actual filing dates of Verizon MA's price floor analyses and its Price Cap case were separated by only a short period (August 24 and October 2, 2000), there should not be a significant difference in the data. AG Initial Brief, at 5. The AG is, of course, simply confused.

Verizon MA's Price Cap filing was based on calendar year 1999 data. That period was selected because all price cap filings by Verizon MA since 1995 have used the prior calendar year as the study period. (1) For its August 24th price floor compliance filing, Verizon MA used the study period which the Department directed it to use - the data originally filed on November 2, 1998, based on a 1997 study period.

The simple fact is that the study periods used for the price floor and Price Cap filings reflect substantially different periods - not less than two months, as the AG believes. Moreover, contrary to the AG's allegation, Verizon MA did not "choose to use data from different study periods, ... only when such actions or methods work in Verizon's favor." AG Initial Brief, at 5. Verizon MA used data as directed by the Department or that was consistent with long-standing policy.

Finally, the AG's allegation that the differences in the study period data demonstrate some "irregularities" in Verizon MA's methodology is wrong. AG Initial Brief, at 5-6. Not only has the AG confused the applicable study periods used in the price floor and Price Cap filings, but he ignores the dynamic changes that are taking place in telecommunications markets here in Massachusetts. The change in revenues for certain services is simply a function of a surge in competitive activity, not any methodological difference, as the AG erroneously claims.

For example, the 1999 study period data used in the Price Cap compliance filing shows a decline in retail revenues and minutes of use for some services (e.g., business and residence toll and Baystate Metropolitan), and an increase in others (e.g., Business Link), as compared to the 1997 data used in Verizon MA's August 24th Price Floor compliance filing. As Verizon MA indicated in its discovery responses, those changes were attributable to growing competition, as well as customer migration to more economically attractive alternatives, such as Business Link, which provides volume discounts to Verizon business customers so that the Company can remain competitive. See VZ-MA Replies to AG 1-4 through 1-8. The AG sought no additional information on this issue during the course of the proceeding and having failed to solicit any facts to support his position is left with mere unsubstantiated and mistaken allegations in his brief. Verizon MA has provided a clear explanation of the differences, and no further analysis is required.

In summary, Verizon MA's Price Cap filing complies with Department requirements and, therefore, the Department should uphold its approval of rate changes contained in that filing, which took effect on December 15, 2000. Moreover, Verizon MA is willing to supplement its filing to reflect a reconciliation of actual annual data for new services and make any necessary revenue adjustments, consistent with prior Price Cap compliance filings.

Very truly yours,

Untitled

Barbara Anne Sousa

cc: Tina Chin, Esquire, Hearing Officer (3)

Michael Isenberg, Esquire, Director - Telecommunications Division

Attached Service List

1. 1 No party has challenged the use of that study period, and the Department has accepted that methodology in all prior filings. By using 1999 calendar year data, Verizon MA's Sixth Price Cap filing is consistent with that approach.